



B. F. MODARABA 20TH ANNUAL REPORT 2008

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COMPANY PROFILE

BOARD OF DIRECTORS

DIRECTORS OF MODARABA COMPANY

Mr. Ahmed Ali Mohammad Amin Bawany - Chairman
Mr. Omar Amin Bawany - Chief Executive
Mr. Abdul Ghani Samad
Mr. AbdulWahid Jaliawala

AUDIT COMMITTEE

Mr. Omar Amin Bawany - Chairman
Mr. Abdul Ghani Samad - Member
Mr. Abdul Wahid Jaliawala - Member

COMPANY SECRETARY

Muhammad Ayub

MODARABA AUDITORS

Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS

AI-Baraka Islamic Investment Bank
Bank AI-Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Dawood Bank Limited

REGISTERED OFFICE AND SHARES DEPARTMENT

4th Floor, Bank House No. I,
Habib Square, M. A. Jinnah Road,
Karachi-74000, Pakistan.
Phone : (92-21) 111 786 878, 2413240
Fax : (92-21) 2421010
E-mail: bfmodaraba1@cyber.net.pk, info@bfmodaraba.com.pk
URL : bfmodaraba.com.pk



**20TH ANNUAL REPORT OF THE DIRECTORS
OF THE MODARABA COMPANY
FOR THE YEAR ENDED JUNE 30, 2008**

Dear Certificate Holders.

Assalam-o-Aalikum,

The Board of Directors of E.A. Management (Pvt) Limited, the management company of B.F. Modaraba, has pleasure in presenting 20th annual report of your Modaraba together with audited financial statements for the year ended June 30, 2008.

FINANCIAL RESULTS

Financial results are summarized as follows:

	2008 Rupees	2007 Rupees
Revenue	<u>11,014,117</u>	<u>10,253,507</u>
Profit before charging management fee	8,473,631	7,730,636
Management fee	<u>(847,363)</u>	<u>(773,064)</u>
Profit before taxation	7,626,268	6,957,572
Taxation - current		
For the year	(780,000)	(750,000)
Prior year	-	(52,615)
	<u>(780,000)</u>	<u>(802,615)</u>
Profit after taxation	6,846,268	6,154,957
Add : unappropriated profit brought forward	<u>3,926,157</u>	<u>4,051,627</u>
	10,774,425	10,206,584
Appropriations:		
Transferred to statutory reserve @ 30% of profit (2007: 30%)	2,053,880	1,846,487
Reserve for issue of Bonus Certificates	4,766,486	4,433,940
	<u>6,820,366</u>	<u>6,280,427</u>
	3,952,059	3,926,157
Earnings per certificate	<u>1.08</u>	<u>0.97</u>

REVIEW OF OPERATIONS

Gross revenue during the year were Rs. 11.014 million vis-à-vis Rs.10.253 million for the corresponding period of 2007, showing meager increase of 7.42% mainly increase in capital gain by Rs. 0.9 million. Realized Capital gain during the year stood at Rs. 2.967 million as compared to Rs. 2.047 million in the corresponding year. Profitability from trading activities was at same level as was last year Thus, profit after tax of Rs. 6.846 million has increased by 11.24% as compared to last year. The unrealized gain in the value of investment in marketable securities amounting to Rs.5.932 million has been reflected in the equity.



PROFIT DISTRIBUTION

The Board in its meeting held on September 25, 2008 has approved the Bonus of Modaraba certificates at the rate of 7.5 %, subject to approval from the Registrar Modaraba Companies and Modaraba and an amount of Rs.2.053 million has been transferred to Statutory Reserves in compliance with the Prudential Regulations for Modarabas.

FUTURE OUTLOOK

Bearish trend continued in stock Exchange due to investors' concern over the global market fall, depreciating rupee value and weakening economic indicators. The price freeze continued to dent volumes. Due to lack of positive news from economic side and international turmoil, the equity market may not perform well as did in past. We might have to face Capital loss instead of Capital gain.

However, we expect positive contribution from trading activities as we have already made some commitments.

CORPORATE GOVERNANCE

As required by the code of Corporate Governance, your Directors are pleased to report that:

- A. The financial statements prepared by the management of the Modaraba present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- B. Proper books of accounts of the Modaraba have been maintained.
- C. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- D. International Accounting Standards, as applicable in Pakistan have been followed in the preparation of financial statements.
- E. The system of internal control is sound and has been effectively implemented and monitored.
- F. There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- G. There is no material departure from best practices of corporate governance as detailed in the listing regulations of stock exchanges.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

A statement setting out the status of the compliance with the best practices of corporate governance is annexed to the Annual Report.

BOARD MEETINGS

During the year under review 4 meetings of the Board of Directors were held. A statement showing number of meetings each of the Directors attended is annexed to the Annual Report.



PATTERN OF CERTIFICATE HOLDERS

A statement showing the pattern of holding of the certificates as at June30, 2008 is annexed to the Annual report.

TRADING OF CERTIFICATE

During the year there was no trading in certificates of Modaraba by CEO, Directors, Company Secretary and their spouses and minor children.

KEY OPERATING & FINANCIAL DATA

A statement summarizing key operating and financial data for the last six years is annexed to the Annual Report.

AUDITORS

The present Auditors M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants retiring on the date of Annual General Meeting, being eligible, have offered themselves for re-appointment for the year ending June 30, 2008, subject to the approval by the Registrar Modaraba companies and Modarabas, the Board has confirmed their appointment.

ACKNOWLEDGEMENT

I would like to thank all concerned for their continued support and guidance. The Board appreciates the efforts made by the Modaraba Association of Pakistan, the Religious Board and the Registrar Modaraba for approval of new model agreements of Islamic Financing and improvements in the existing model agreements.

On behalf of the Board

Omar Amin Bawany
Chief Executive

Karachi.
Date: September 25, 2008



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **B.F. Modaraba** as at **June 30, 2008** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the modaraba company's [E. A. Management (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:--

- a. in our opinion, proper books of accounts have been kept by the Modaraba company in respect of **B.F. Modaraba** as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and Modaraba Companies and Modaraba Rules, 1981;
- b. in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at **June 30, 2008** and of the profit, its cash flows and changes in equity for the year then ended; and.
- d. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi.
Date: September 25, 2008



**B.F. MODARABA
BALANCE SHEET
AS AT JUNE, 30 2008**

	2008	2007		2008	2007
Note	Rupees	Rupees	Note	Rupees	Rupees
CERTIFICATE CAPITAL AND RESERVES			FIXED ASSETS - TANGIBLE		
Authorised capital			Assets in own use	8	807,854
10,000,000 Modaraba certificates of Rs. 10/- each	100,000,000	100,000,000	Assets leased out	9	734,991
					1,542,845
Issued, subscribed and paid up capital	63,553,140	59,119,200			951,400
Reserves	23,826,331	21,414,003			2,180,915
	87,379,471	80,533,203			3,132,315
Unrealized appreciation in investment available for sale	5,932,956	10,267,308			
	93,312,427	90,800,511			
DEFERRED LIABILITY			CURRENT ASSETS		
Staff gratuity	35,920	138,292	Investments	10	37,324,315
					42,565,393
LONG TERM LEASE DEPOSITS	5	84,600	Trade Debts-unsecured-considered good		6,021,000
			Lease rentals receivable-considered good		-
					141,384
CURRENT LIABILITIES			Advances, deposits, prepayments and other receivables	11	26,593,258
Accrued and other liabilities	6	501,706	Cash and bank balances	12	25,109,181
Due to management company		847,363			95,047,754
Current portion of lease deposits		-			90,753,045
Unclaimed dividend		278,583			
Provision for taxation		1,530,000			
		3,157,652			
Contingencies and Commitments	7	-			
	96,590,599	93,885,360			

The annexed notes form an integral part of these financial statements.

Chief Executive	Director	Director
<i>E.A. Management (Pvt.) Limited</i>	<i>E.A. Management (Pvt.) Limited</i>	<i>E.A. Management (Pvt.) Limited</i>



**B.F. MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE, 30 2008**

		<i>2008</i>	<i>2007</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
Revenue			
Lease rentals		844,784	1,021,335
Profit on morabahas		-	688,574
Gain on sale of investments	13	2,967,012	2,047,009
Trading profit	14	2,832,700	1,005,665
Dividend - net of zakat		2,675,826	2,470,893
Profit on bank deposits accounts		1,693,795	1,272,031
Others Income		-	1,748,000
		11,014,117	10,253,507
Expenditure			
Operating expenses	15	1,844,562	1,640,683
Amortisation of leased assets		695,924	882,188
		2,540,486	2,522,871
Profit before charging management fee		8,473,631	7,730,636
Provision for management fee		847,363	773,064
Profit before taxation		7,626,268	6,957,572
Taxation			
- For the year	16	(780,000)	(750,000)
- Prior year		-	(52,615)
		(780,000)	(802,615)
Profit after taxation		6,846,268	6,154,957
Earnings per certificate - basic and diluted	17	1.08	0.97

The annexed notes form an integral part of these financial statements

Chief Executive	Director	Director
<i>E.A. Management (Pvt.) Limited</i>	<i>E.A. Management (Pvt.) Limited</i>	<i>E.A. Management (Pvt.) Limited</i>



B.F. MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE, 30 2008

	Certificate Capital	* Statutory Reserve	Unappropriated Profit / (Loss)	Unrealized appreciation in investment available for sale	Total
	←----- Rupees ----->				
Balance as at June 30, 2006	5,140,800	11,207,419	11,762,827	7,990,768	82,369,014
Profit for the year ended June 30, 2007	-	-	6,154,957	-	6,154,957
Unrealised gain on revaluation of investments	-	-	-	4,060,100	4,060,100
Realized gain on sale of investments transferred to profit and loss account	-	-	-	(1,783,560)	(1,783,560)
Total recognised income and expense for the year	-	-	6,154,957	2,276,540	8,431,497
Transfer to statutory reserve *	-	1,846,487	(1,846,487)	-	-
Issue of bonus certificates	7,711,200	-	(7,711,200)	-	-
Balance as at June 30, 2007	59,119,200	13,053,906	8,360,097	10,267,308	90,800,511
Profit for the year ended June 30, 2008	-	-	6,846,268	-	6,846,268
Unrealised gain on revaluation of investments	-	-	-	(2,028,808)	(2,028,808)
Realized gain on sale of investments transferred to profit and loss account	-	-	-	(2,305,544)	(2,305,544)
Total recognised income and expense for the year	-	-	6,846,268	(4,334,352)	2,511,915
Transfer to statutory reserve *	-	2,053,880	(2,053,880)	-	-
Issue of bonus certificates	4,433,940	-	(4,433,940)	-	-
Balance as at June 30, 2008	63,553,140	15,107,786	8,718,544	5,932,956	93,312,427

* In accordance with the Securities & Exchange Commission of Pakistan's regulations, the Modaraba is required to transfer 20% to 50% (2007: 20% - 50%) of its profit after tax to statutory reserve until the reserve equals its paid up capital and thereafter 5% of its profit is required to be transferred to reserve.

The annexed notes form an integral part of these financial statements.

Chief Executive	Director	Director
E.A. Management (Pvt.) Limited	E.A. Management (Pvt.) Limited	E.A. Management (Pvt.) Limited



B.F. MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE, 30 2008

	<i>2008</i>	<i>2007</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,626,268	6,957,572
Adjustments for		
Depreciation on owned assets	193,931	233,634
Amortisation of leased assets	695,924	882,188
Provision for gratuity	26,405	24,842
Provision for Management Fee	847,363	773,064
Gain on sale of investment	(2,967,012)	(2,047,009)
Dividend income	(2,675,826)	(2,470,893)
	(3,879,214)	(2,604,174)
Operating profit before changes in working capital	3,747,053	4,353,398
(Increase)/decrease in current assets		
Stock in trade	-	11,301,835
Trade Debts	1,147,000	(7,168,000)
Lease rentals receivable	141,384	49,993
Advances, deposits, prepayments and other receivables	6,616,676	(25,271,008)
	7,905,060	(21,087,180)
Increase / (decrease) in current liabilities		
Accrued and other liabilities	191,396	79,639
Management fee	(773,064)	(1,729,315)
Lease deposits	-	311,500
	(581,668)	(638,176)
Net increase / (decrease) in working capital	7,323,392	(22,425,356)
	11,070,446	(18,071,958)
Long term lease deposits	-	(665,400)
Gratuity paid	(128,777)	(12,870)
Taxes paid	(414,679)	(3,245,723)
Net cash from operating activities	10,526,989	(21,995,951)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets		
Own use	(50,385)	(5,400)
Leased out	-	(846,000)
Investments	(18,626,302)	(31,075,283)
Proceeds from sale of investments	22,500,041	20,823,947
Dividend received	2,524,245	2,788,562
Net cash (used in) / generated from investing activities	6,347,599	(8,314,174)
CASH FLOWS FROM FINANCING ACTIVITIES		
Morabaha repayments	-	9,000,000
Dividend paid	-	-
Net cash (used in) / generated from financing activities	-	9,000,000
Net increase / (decrease) in cash and cash equivalents	16,874,588	(21,310,125)
Cash and bank balances at the beginning of the year	8,234,594	29,544,719
Cash and bank balances at the end of the year	25,109,181	8,234,594

The annexed notes form an integral part of these financial statements.

Chief Executive	Director	Director
<i>E.A. Management (Pvt.) Limited</i>	<i>E.A. Management (Pvt.) Limited</i>	<i>E.A. Management (Pvt.) Limited</i>



**B.F. MODARABA
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED JUNE, 30 2008**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 B. F. Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder, and is managed by E. A. Management (Pvt.) Limited. The registered office of the Modaraba is situated at Habib Square, M. A. Jinnah Road, Karachi. The Modaraba is listed on all Stock Exchanges in Pakistan.
- 1.2 It is a perpetual multi-purpose Modaraba and is primarily engaged in leasing, investments, trading, musharika and morabaha transactions.
- 1.3 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities & Exchange Commission of Pakistan (SECP) (the Modaraba Regulations). Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modaraba's under the Modaraba Regulations. Wherever the requirements of the Modaraba Regulations differ with the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

2.2 Basis of Preparation

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets which are stated at fair value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



Following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2008 and are not expected to have a significant effect on Modaraba's financial statements or not relevant to Modaraba:

- IFRS 8 - Operating segments (effective for the periods beginning on or after January 1, 2009).
- Revised IFRS 3 - Business Combination (effective for the periods beginning on or after July 1, 2009).
- Revised IAS 1 - Presentation of financial statements (effective for periods beginning on or after Jan. 1, 2009).
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after January 1, 2009).
- IFRIC 12 - Service Concession Arrangements (effective for annual periods beginning on or after Jan. 1, 2008).
- IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008).
- IFRIC 14 - The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after January 1, 2008).

2.3 Staff retirement benefits

The Modaraba operates an unfunded gratuity scheme for its employees eligible under the scheme. Provision is made annually based on the last drawn salary to cover the obligation under the scheme.

2.4 Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.5 Accrued and other liabilities

Accrued and other liabilities are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

2.6 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.



2.7 Taxation

Current

The charge for current taxation is based on taxable income as per Schedule II para 2 clause 18 @ 25% of Income Tax Ordinance 2001.

The income of a modaraba from non-trading activities is exempt from tax provided that not less than 90 % of its profits, as reduced by the amount transferred to a mandatory reserve, are distributed to the certificate-holders.

Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. This recognised on the basis of the expected manner of the realisation and the settlement of the carrying amount of assets and liabilities using the tax rates to the extent that it is probable enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

2.8 Fixed Assets

Fixed Assets in own use

Fixed assets held for own use are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in note No. 8. Depreciation is charged from the month of acquisition of the respective assets upto the month of disposal.

Maintenance and normal repairs are charged to the income as and when incurred. Major renewals and replacement are capitalized and assets so replaced, if any, are retired.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Gain or loss on disposal of assets is accounted for in the year in which it arises.

Fixed Assets leased out

Assets leased out are stated at cost less accumulated amortisation. Amortisation is charged to income applying the annuity method whereby the depreciable values of assets are amortised over the lease period. In respect of additions and transfers during the year, amortisation is charged proportionately to the period of lease.



Impairment of assets

The company assess at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

2.9 Stock in trade

Stock in trade is valued at lower of cost and net realisable value. Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost is determined on weighted average method.

2.10 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.11 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39; 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorized as follows:

- *At fair value through profit and loss*

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investment at fair value through profit and loss.

These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity are determined on the basis of prevailing market prices.



- **Held to maturity**

Investments with fixed or determinable payments and fixed maturity, which the company has the positive intent and ability to hold to maturity, are classified as held to maturity, are carried at amortized cost, using the effective yield method less impairment losses, if so determined.

- **Available for sale**

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost. Realized and unrealized gains and losses arising from changes in fair value is taken to equity of the company.

- **Derecognition**

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

2.13 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets

Financial assets comprise of investments, morabahas, advances, deposits and other receivables and cash and bank balances. Morabahas are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount. Investments are stated at fair value, while other financial assets are stated at amounts which approximate their fair values.

Financial liabilities

Financial liabilities are classified accordingly to the substance of contractual arrangements entered into. Financial liabilities comprise of deposits on lease contracts and accrued and other liabilities.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



2.14 Provision for doubtful recoveries

Provision for doubtful debts are made after review of outstanding lease rental and morabaha receivables on the basis of Prudential Regulations for Modaraba issued by Securities and Exchange Commission of Pakistan. Other doubtful debts are provided for on the basis of their possible realization.

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business as depicted below:

- i. Lease rental income is recognised on a systematic basis over the lease period.
- ii. Dividend income is recognised when right to receive dividend is established.
- iii. Capital gain or loss is accounted for in the year in which it arises.
- iv. Income from trading activities is recognised on issuance of invoice.



3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

<i>No. of Certificates</i>			<i>2008</i>	<i>2007</i>
<i>2008</i>	<i>2007</i>		<i>Rupees</i>	<i>Rupees</i>
		Modaraba certificates of Rs. 10/ each issued for cash	30,000,000	30,000,000
3,000,000	3,000,000	Modaraba certificates of Rs.10/ each issued as bonus certificates	33,553,140	29,119,200
3,355,314	2,911,920		63,553,140	59,119,200
6,355,314	5,911,920		63,553,140	59,119,200

4. RESERVES

Statutory reserve	15,107,786	13,053,906
Unappropriated profit	8,718,544	8,360,097
	23,826,331	21,414,003

5. LONG TERM LEASE DEPOSITS

These represent interest free security deposits received against lease from lessees and are refundable / adjustable at the expiry of the lease contracts.

6. ACCRUED AND OTHER LIABILITIES

	<i>2008</i>	<i>2007</i>
	<i>Rupees</i>	<i>Rupees</i>
Accrued expenses	501,706	310,310

7. CONTINGENCIES AND COMMITMENTS

There are no known contingencies and commitments as at June 30, 2008 (2007 : Nil).



8. **FIXED ASSETS - OWN USE**

PARTICULARS	COST		As at June 30, 2008	Rate %	DEPRECIATION		Written Down value as at June 30, 2008	
	As at July 1, 2007	Additions/ (Deletion)			As at July 1, 2007	For the year/ (Adjustment)		As at June 30, 2008
Furniture and fixtures	133,829	-	133,829	10	105,865	2,796	108,661	25,168
Office equipments	145,575	-	145,575	10	111,626	3,395	115,021	30,554
Computers	231,335	50,385	281,740	30	200,330	16,048	216,378	65,363
Vehicles	2,568,000	-	2,568,000	20	1,709,538	171,692	1,881,230	686,770
Rupees - 2008	3,078,759	50,385	3,129,144		2,127,359	193,931	2,321,290	807,854
Rupees - 2007	3,073,359	5,400	3,078,759		1,893,725	233,634	2,127,359	951,400

9. **FIXED ASSETS - LEASED OUT**

PARTICULARS	COST		As at June 30, 2008	Rate %	DEPRECIATION		Book value as at June 30, 2008	
	As at July 1, 2007	Additions/ (Deletion)			As at July 1, 2007	For the year/ (Adjustment)		As at June 30, 2008
Vehicles	3,022,166	(2,176,166)	846,000	*	1,164,491	622,684	111,009	734,991
Generator	500,000	(500,000)	-	*	176,760	(1,676,166)	-	-
						73,240	-	-
						(250,000)		
Rupees - 2008	3,522,166	(2,676,166)	846,000		1,341,251	695,924	111,009	734,991
						(1,926,166)		
Rupees - 2007	4,271,166	(749,000)	3,522,166		1,615,563	(1,156,500)	1,341,251	2,180,915
						882,188		

* Assets leased out are amortised over the period of lease.



10. INVESTMENT

		2008 Rupees	2007 Rupees
- Available for sale			
Investment in shares and close end units	10.1	26,599,343	39,421,097
Investment in opened end units	10.2	10,724,972	597,138
- Held to maturity	10.3	-	2,547,158
		<u>37,324,315</u>	<u>42,565,393</u>

10.1 Investment Available for sale

The holdings are in ordinary shares/certificates of Rs. 10/- each except for Habib ADM Ltd. which are of Rs.5/- each.

Numbers of Shares / Certificates June 2007	June 2008	Name of Company / Institution	June 2008 Rupees	June 2007 Rupees
<i>MUTUAL FUND</i>				
<u>260,000</u>	<u>164,000</u>	Pakistan Premier Fund	<u>2,192,680</u>	<u>3,900,000</u>
<i>MODARABAS</i>				
112,035	117,636	Standard Chartered Modaraba	1,411,632	1,523,676
100,000	100,000	First Habib Bank Modaraba	783,000	990,000
72,900	72,900	First Punjab Modaraba	532,170	583,200
19,360	19,360	First Tri Star Modaraba	116,934	37,752
13,000	13,000	First UDL Modaraba	62,010	72,800
<u>317,295</u>	<u>322,896</u>	Total	<u>2,905,746</u>	<u>3,207,428</u>
<i>INVESTMENT COMPANIES / BANKS</i>				
58,549	73,186	Trust Investment Bank Ltd.	2,229,246	2,166,313
34,082	40,898	Security Investment Bank Ltd.	351,723	454,995
-	2,000	Jahangir Siddique & Company	1,060,300	-
<u>92,631</u>	<u>116,084</u>	Total	<u>3,641,269</u>	<u>2,621,308</u>
<i>TEXTILES WEAVING</i>				
200	200	Service Fabrics Ltd.	198	270
9,000	9,000	Reliance Weaving Mills Ltd.	113,760	179,550
<u>9,200</u>	<u>9,200</u>	Total	<u>113,958</u>	<u>179,820</u>
<i>SUGAR AND ALLIED</i>				
2,507	2,507	Bawany Sugar Mills Ltd.	19,128	14,290
5,000	5,000	Habib ADM Ltd. (Share of Rs. 5/- each)	57,400	74,500
<u>7,507</u>	<u>7,507</u>	Total	<u>76,528</u>	<u>88,790</u>



Numbers of Shares / Certificates June 2007	June 2008	Name of Company / Institution	June 2008 Rupees	June 2007 Rupees
CEMENT				
531	531	Maple Leaf Cement Factory Ltd.	5,793	12,956
5,300	5,300	Cherat Cement	143,577	299,450
<u>5,831</u>	<u>5,831</u>	Total	<u>149,370</u>	<u>312,406</u>
FUEL & ENERGY				
100,000	100,000	Hub Power Company Ltd.	2,860,000	3,670,000
11,000	11,000	Sui Northern Gas Pipeline Ltd.	479,270	778,250
10,500	-	Pakistan Oil Fields Ltd.	-	3,328,500
15,000	16,500	Pak Petroleum Ltd.	4,058,835	3,936,750
6,000	-	Pakistan State Oil Ltd.	-	2,348,700
3,000	-	National Refinery	-	1,023,000
25,000	10,000	OGDCL	1,243,600	2,995,000
<u>170,500</u>	<u>137,500</u>	Total	<u>8,641,705</u>	<u>18,080,200</u>
AUTO AND ALLIED				
4,455	4,455	Pak Suzuki Motor Company Ltd.	533,664	1,746,360
31	55	Millat Tractors	14630	10,277
-	500	Indus Motors	100,026	-
<u>4,486</u>	<u>5,010</u>	Total	<u>648,320</u>	<u>1,756,637</u>
CHEMICALS AND PHARMACEUTICALS				
16,260	22,764	Bawany Air Products Ltd.	352,614	235,770
1,304	304	Fauji Fertilizer Bin Qasim Company Ltd.	10,935	50,854
47,331	42,331	Fauji Fertilizer Company Ltd.	5,601,238	5,738,884
<u>64,895</u>	<u>65,399</u>	Total	<u>5,964,787</u>	<u>6,025,508</u>
TECHNOLOGY AND COMMUNICATION				
57,000	57,000	Pakistan Telecommunication Company Limited	2,202,480	3,249,000
-	10,000	TRG	62,500	-
<u>57,000</u>	<u>67,000</u>	Total	<u>2,264,980</u>	<u>3,249,000</u>
<u>989,345</u>	<u>900,427</u>	Grand Total	<u>26,599,343</u>	<u>39,421,097</u>
10.2 MUTUAL FUNDS-OPEN ENDED				
98,785	-	United Islamic Income Fund	10,162,996	-
51,557	40,956	Pakistan Capital M. Fund	561,976	597,138
<u>150,342</u>	<u>40,956</u>	Total	<u>10,724,972</u>	<u>597,138</u>

10.3 These are Term Deposit Receipts (TDRs) having maturity upto three months and carrying profit rate of 8.5% approximately.



2008 *2007*
Rupees *Rupees*

**11. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advance(s)	11.1	23,778,500	30,585,000
Against purchases - unsecured		1,328,540	913,861
Income tax		10,019	10,262
To State Bank of Pakistan		25,117,059	31,509,123
Security deposits		30,000	30,000
Prepayments		55,121	48,165
Other receivables			
Profit on bank deposits		1,047,170	661,559
Sales tax refundable		-	202,500
Dividend receivable		343,908	192,327
		1,391,078	1,056,386
		26,593,258	32,643,674

11.1 This amount represents advance to associated undertaking for purchase of sugar.

12. CASH AND BANK BALANCES

In hand		25,703	5,384
With banks			
In current accounts		344,527	248,815
In saving accounts		24,738,951	7,980,395
		25,083,478	8,229,210
		25,109,181	8,234,594

13. GAIN ON SALE OF INVESTMENTS

Sale proceeds		19,952,883	20,823,947
Carrying value of investments disposed off		(19,291,415)	(20,560,498)
		661,468	263,449
Surplus on remeasurement realised upon sale		2,305,544	1,783,560
		2,967,012	2,047,009



	<i>2008</i>	<i>2007</i>
	<i>Rupees</i>	<i>Rupees</i>
14. TRADING PROFIT		
Sales	65,891,200	48,955,000
Cost of sales		
Opening stock	-	11,301,835
Purchases	63,058,500	36,647,500
Closing stock	-	-
	<u>63,058,500</u>	<u>47,949,335</u>
	<u>2,832,700</u>	<u>1,005,665</u>
15. OPERATING EXPENSES		
Salaries and other benefits (15.1)	997,705	807,629
Fee and subscription	230,458	246,325
Newspapers and periodicals	3,582	3,260
Printing and stationery	57,276	64,465
Repairs and maintenance	13,142	17,451
Travelling and conveyance	1,712	2,452
Postage and telephone	35,600	34,606
Auditors' remuneration (15.2)	185,000	110,000
Vehicles running and maintenance	55,679	37,808
Insurance	31,080	53,197
Depreciation	193,931	233,634
Advertisement	16,200	15,960
Bank charges	5,198	2,106
Miscellaneous	17,999	11,790
	<u>1,844,562</u>	<u>1,640,683</u>



15.1 Remuneration of officer and other employees

	<i>Officer</i>		<i>Other Employees</i>	
	<i>2008 Rupees</i>	<i>2007 Rupees</i>	<i>2008 Rupees</i>	<i>2007 Rupees</i>
Basic	276,000	252,000	342,995	214,534
House rent	118,920	112,800	101,527	61,807
Utilities	31,200	25,200	17,980	15,303
Others	37,200	31,200	71,883	94,785
	463,320	421,200	534,385	386,429

Number of employees 1 1 5 4

15.2 Auditors' remuneration

	<i>2008 Rupees</i>	<i>2007 Rupees</i>
Audit fee	150,000	75,000
Other services	35,000	35,000
	<u>185,000</u>	<u>110,000</u>

16. TAXATION

Income tax assessment for Modaraba has been finalized upto tax year 2007, assessments are deemed to have been finalized under section 120 of Income Tax Ordinance, 2001.

<i>17. EARNINGS PER CERTIFICATE</i>	<i>2008 Rupees</i>	<i>2007 Rupees</i>
<i>Basic</i>		
Profit for the year	<u>6,846,268</u>	<u>6,154,957</u>
Average number of certificates outstanding	<u>6,355,314</u>	<u>6,355,314</u>
Earnings per certificate	<u>1.08</u>	<u>0.97</u>

Diluted

There is no dilutive effect on the basic earning per certificate of the Modaraba.



18. TRANSACTIONS WITH RELATED PARTIES

Related parties include Modaraba's management company and its directors, family members of directors, entities under common directorship, key management personnel and employees.

Insurance expenses - associated company	<u>31,080</u>	<u>53,197</u>
Purchases from associated company	<u>57,563,000</u>	<u>15,025,000</u>
Management fee to the management company	<u>847,363</u>	<u>773,064</u>

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities is estimated to approximate their carrying amount.

20.. MARK-UP/PROFIT RATE RISK EXPOSURE

	<i>Markup / profit bearing One month to one year</i>	<i>Non-mark-up/ profit bearing</i>	<i>Total 2008</i>	<i>Total 2007</i>
FINANCIAL ASSETS ←----- Rupees -----→				
Cash and bank balances	24,738,951	370,230	24,738,951	8,234,594
Investments	-	37,324,315	37,324,315	42,565,393
Advances, deposits and other receivables	-	25,199,578	25,199,578	894,148
Lease deposits	-	-	-	141,384
	<u>24,738,951</u>	<u>62,894,123</u>	<u>87,262,844</u>	<u>51,835,519</u>

	<i>Markup / profit bearing One month to one year</i>	<i>Non-mark-up/ profit bearing</i>	<i>Total 2008</i>	<i>Total 2007</i>
FINANCIAL LIABILITIES ←----- Rupees -----→				
Unclaimed Dividend	-	278,583	278,583	278,583
Accrued and other liabilities	-	501,706	501,706	310,310
Due to management company	-	847,363	847,363	773,064
Lease deposits	-	84,600	84,600	834,600
	<u>-</u>	<u>1,712,252</u>	<u>1,712,252</u>	<u>2,196,557</u>
On Balance Sheet gap	<u>24,738,951</u>	<u>61,181,871</u>	<u>85,550,592</u>	<u>49,638,962</u>
Cumulative gap	<u>24,738,951</u>	<u>61,181,871</u>	<u>85,550,592</u>	<u>49,638,962</u>



Effective rate of mark-up / profit for financial assets are as follows:

	2008 Rate of profit/ Markup	2007 Rate of profit/ Markup
Investments - held to maturity	-	8.5%
PLS Saving Account/ Term Deposit	3% - 11%	3% - 7%

21. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of the counter parties.

21.1 Segment by class of business for assets leased out

	2008		2007	
	Rupees	% of Total	Rupees	% of Total
Sugar	734,991	100%	1,857,675	85%
Other	-	0%	323,240	15%
	734,991	100%	2,180,915	100%

The above balances represent written down value of assets leased out.

22. LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Modaraba matches availability of liquid funds before committing for liabilities. An analysis of liquid funds with maturities of liabilities due is also performed on regular basis.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 25th September 2008, by the Board of Directors of the Modaraba Management Company.

24. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The management of Modaraba declared to issue bonus certificates @ 7.5% of the paid up capital (476,649 certificates amounting to Rs. 4,766,486) for the year ended June 30, 2008 at their meeting held on September 25, 2008. These financial statements do not effect the above said issue.

25. GENERAL

- Figures have been rounded off to the nearest rupee.

Chief Executive	Director	Director
E.A. Management (Pvt.) Limited	E.A. Management (Pvt.) Limited	E.A. Management (Pvt.) Limited



***PATTERN OF CERTIFICATE HOLDING
AS AT JUNE 30, 2008***

NO. OF SHARE CERTIFICATE	CERTIFICATE HOLDING				TOTAL CERTIFICATES HELD
206	From	1	To	100	8,493
259	From	101	To	500	64,840
108	From	501	To	1000	78,682
219	From	1001	To	5000	449,617
37	From	5001	To	10000	250,560
11	From	10001	To	15000	140,957
8	From	15001	To	20000	139,028
3	From	20001	To	25000	67,612
2	From	25001	To	30000	55,356
1	From	30001	To	35000	31,775
1	From	35001	To	40000	35,974
1	From	55001	To	60000	55,764
1	From	60001	To	65000	60,977
1	From	70001	To	75000	70,124
1	From	75001	To	80000	76,276
1	From	90001	To	95000	93,955
1	From	95001	To	100000	97,865
2	From	105001	To	110000	211,230
1	From	125001	To	130000	125,913
1	From	130001	To	135000	131,537
1	From	145001	To	150000	149,586
1	From	155001	To	160000	158,882
1	From	170001	To	175000	171,344
1	From	290001	To	295000	291,190
1	From	385001	To	390000	387,617
1	From	395001	To	400000	399,277
2	From	790001	To	795000	1,588,828
1	From	960001	To	965000	962,055
874					6,355,314



**CATEGORIES OF CERTIFICATE HOLDINGS
AS AT JUNE 30, 2008**

	Number of Certificate Holders	Total Certificates Held	Percentage %
Directors, CEO and their spouses & minor children			
Mr.Omar Amin Bawany -Chief Executive		24873	0.3914
Mrs.Rukhsana		171344	2.6961
Miss.Rabeeah		36225	0.5700
Mr.Ahmed Ali Bawany -Chairman		26356	0.4147
Mrs.Ambreen		291190	4.5818
Miss.Alveena		4945	0.0778
Mr.Muhammad Altamash		8653	0.1362
7		563586	8.8679
Associated Companies,undertakings and related parties			
E.A Management (Pvt) Ltd.		794414	12.5000
Faran Sugar Mills Ltd.		794414	12.5000
Reliance Insurance Co.Ltd.		97865	1.5399
3		1686693	26.5399
NIT and ICP			
National Bank Of Pakistan, Trustee Deptt.		537	0.0084
Investment Corporation of Pakistan		7399	0.1164
2		7936	0.1249
Shareholder holding Ten Percent or more voting interest in the Company			
Sind Particle Board Mills Ltd.	1	962055	15.1378
INDIVIDUAL	805	1966463	31
JOINT STOCK COMPANIES	27	105692	2
INVESTMENT COMPANIES	1	6000	0
FINANCIAL INSTITUTIONS	20	802596	13
CHARITABLE INSTITUTIONS	5	95040	1
INSURANCE COMPANIES	1	158882	2
MODARABAS	1	1	0
OTHERS	1	370	0
TOTAL	874	6355314	100



July 2007-June 2008	
NUMBER OF BOARD MEETINGS	
Name of Director	Number of Meeting Attended
1. Mr. Omar Amin Bawany	4
2. Mr. Ahmed Ali Mohammad Amin Bawany	4
3. Mr. Abdul Ghani Samad	4
4. Mr. Abdul Wahid Jaliawala	4

KEY OPERATING AND FINANCIAL DATA		Rs. 000's				
Year	2008	2007	2006	2005	2004	2003
Paid-up Capital	63,553	63,553	51,408	51,408	51,408	51,408
Equity	93,312	90,800	82,369	70,573	61,812	55,642
Operating Revenue	11,014	10,253	19,868	14,482	9,488	6,708
Net Profit After Tax	6,846	6,154	12,775	8,665	6,679	4,955
Cash Dividend	-	-	-	-	-	7.50%
Bonus	7.5%	7.5%	15%	-	-	-
Earning Per Certificate (Rs.)	1.08	0.97	2.16	1.69	1.30	0.96



**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2008**

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Regardless of the fact that E. A. Management (Pvt.) Ltd, the management company of B. F. Modaraba, is a private limited company, the Board of Directors of management company are please to confirm that they has applied the principles contained in the Code in the following manner:

1. The Modaraba Company through a private limited company, encourages representation of independent non-executive directors on its Board. At present the Board has two non-executive Directors out of a total of four Directors;
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company;
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFT or NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange;
4. No causal vacancy in the Board occurred during the year.
5. The management company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors of the Modaraba Company and employees of the Modaraba;
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained;



7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the CEO and other executive directors, have been taken by the Board;
8. The meetings of the Board were presided over by the Chief Executive as chairman and, the Board meets at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated;
9. The directors are aware of their fiduciary responsibilities. However, if necessary the board will arrange orientations courses for its directors in this respect;
10. The board approved the appointment of CFO, Company Secretary and Head of Internal audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed;
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board;
13. The directors, CEO and executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of shareholding;
14. The Modaraba has complied with all the corporate and financial reporting requirement of the code;
15. The Board has formed an audit committee. It comprises 3 members, of whom two are non-executive directors;
16. The meeting of the audit committee was held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed, and advised to the committee for compliance;



17. The Board has set-up an effective internal audit function;
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan ;
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
20. We confirm that all other material principles contained in the code have been compiled with.

For and on behalf of Board

Dated: September 25, 2008
Karachi

Omar Amin Bawany
Chief Executive



**REVIEW REPORT TO THE CERTIFICATE HOLDERS
ON STATEMENT OF COMPLIANCE WITH BEST
PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of E.A. Management (Pvt) Limited (the Modaraba Company) representing B.F. MODARABA (the Modaraba) to comply with the relevant Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified; whether the Statement of Compliance reflects the status of the Modaraba Compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited Primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of financial statements we are required to obtain understanding of accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which caused us to believe that the statement of Compliance do not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30,2008.

Khalid Majeed Rehman Sarfaraz Rahim Iqbal Rafiq

Chartered Accounts

Karachi

Date: September 25, 2008



NOTICE OF ANNUAL REVIEW MEETING

The 9th Annual Review meeting of the Certificate Holders of B.F. Modaraba will be held on Thursday October 30, 2008 at 4:00 p.m. at the Registered Office of Modaraba at 4th Floor Bank House No. I, Habib Square, M.A. Jinnah, Road, Karachi.

The Board, in its meeting held on September 25, 2008, has approved Bonus Modaraba Certificates @ 7.5% , subject to approval from the Registrar Modaraba Companies and Modaraba.

The Certificate Transfer Books of the Modaraba will remain closed from October 25, 2008 to October 31, 2008, (both days inclusive) to determine the names of certificate holders entitled to receive the Bonus Certificate and to attend the Annual review meeting.

Transfer received in order at the registered office before the close of business hours on October 24, 2008, will be treated in time.

Date: September 25, 2008

Muhammad Ayub
Company Secretary

NOTE

At the time of attending the meeting individual CDC account holders shall produce their original National Identity Cards and corporate entities shall produce the Board's Resolution/Power of Attorney with Specimen Signature of the nominees.



VISION

To provide financial products translating and services within the spirit of Islamic Shariah and in accordance with the law to contribute in the promotion of the law and to contribute towards fulfilling our responsibilities in building a progressive society.

MISSION

To engage effectively, responsibly and profitability in providing financial products and services consistently seeking high standard of performance to maintain a long term success position in the competitive environment. This will be achieved by:

- * Introducing a just and equitable financial system by being a good multipurpose financial institution;
- * Providing a range of specialized services working on Shariah principles to sustain continuous earning growth through effective management of its existing resources and through selective investment and financing.
- * Providing for reasonable and just profit, prudent growth and pursuit of better efficiency.
- * Focusing on serving our clients and customers building relationship with them based on trust and mutual benefit; and
- * Fulfilling our responsibilities to satisfy the certificate holders, clients and the employees.